



# Agenda Report

**MEETING DATE:** Tuesday, November 9, 2021

**TO:** City Council

**FROM:** COMMUNITY DEVELOPMENT DIRECTOR MERRIAM

**SUBJECT:** RESOLUTION DIRECTING THE CITY MANAGER TO SIGN A MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF WATSONVILLE, COUNTY OF SANTA CRUZ, AND MP BERRY FARMS LC FOR PROCESSING THE PIPPIN PHASE II PROJECT

---

## **STATEMENT OF ISSUES:**

The proposed Pippin Phase II Project is on a parcel contiguous but outside City limits in the unincorporated County (APN 048-221-09), and the emergency access road to the Project is located on a parcel inside City limits (APN 019-236-010). After completion, the developer, MP Berry Farms LC, is required to apply to LAFCO to annex APN 048-221-09 into the City. Because of this, the City, MP Berry Farms LC, and the County have developed a Memorandum of Understanding (MOU) that specifies:

1. That the City will provide public services to the Project;
2. That the Project will comply with City Public Works Design Standards;
3. Agreed procedures for Project plan check and inspection; and
4. Agreed Project Impact Fees to be paid to each jurisdiction.

## **RECOMMENDED ACTION:**

Staff recommends that the City Council adopt a resolution directing the City Manager to sign the MOU between the City of Watsonville, County of Santa Cruz, and MP Berry Farms LC to provide a framework for services, design, review, and fee structure for the Project.

## **DISCUSSION:**

### Background

The Pippin 2 property, formerly known as the Lamb property, was part of a larger rezoning and Specific Plan process undertaken by the City of Watsonville and the County of Santa Cruz in 2007. This included a Memorandum of Understanding (MOU) between the City of Watsonville and County of Santa Cruz, in which the County would pay for and prepare the Environmental Impact Report and the rezoning of two County parcels to High Density Residential, while the City would pay for and prepare an Atkinson Lane Specific Plan, which was required by Measure U before the City could pursue annexation.

On June 9, 2009, the EIR, General Plan Amendment, Rezoning, and Planned Unit Project were approved by the County for a portion of the Atkinson Lane Project. This approval was

challenged by the Farm Bureau in July, 2009. The Settlement Agreement allowed the County to move forward with rezoning and development of two parcels, while the City agreed to set aside the Specific Plan. The parcels outlined below were allowed to rely on the EIR and project allowed to move forward:

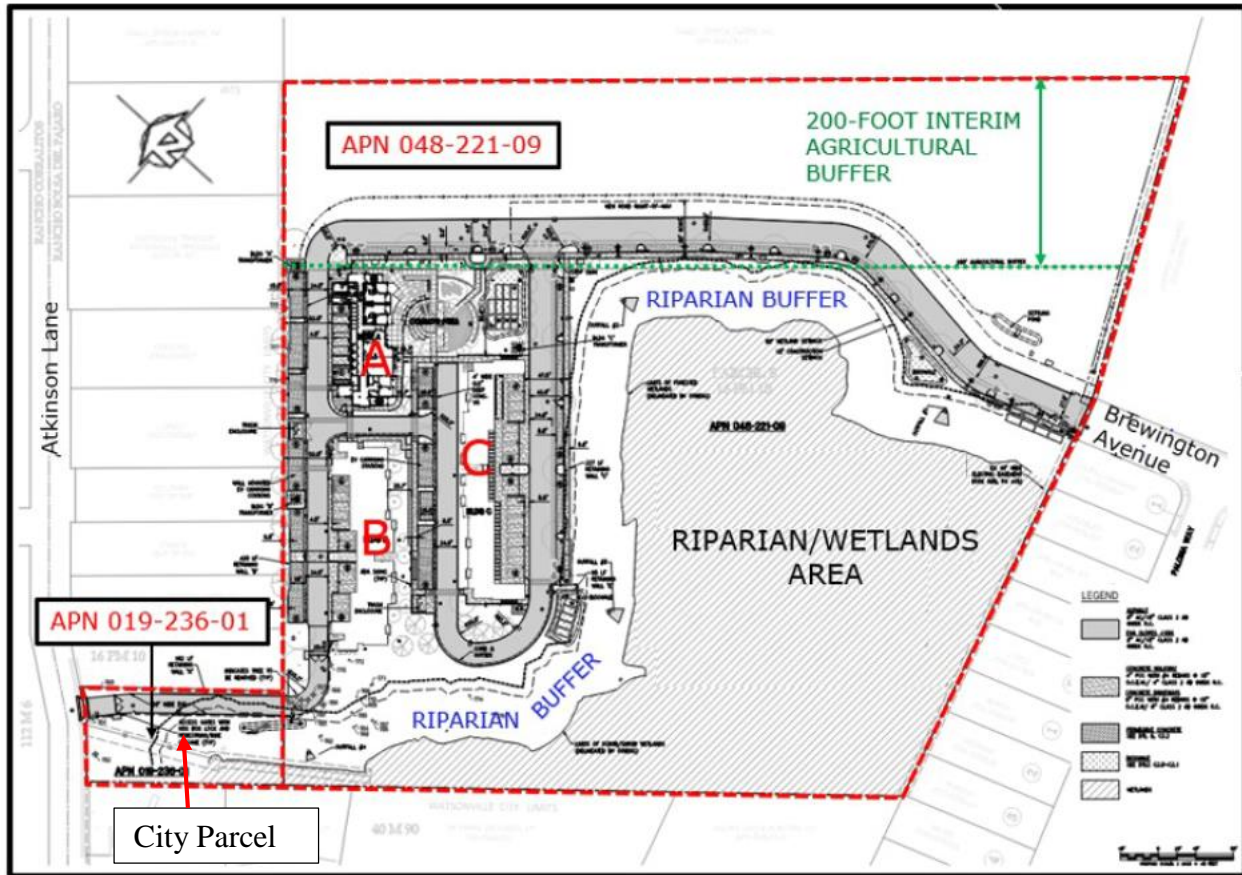
COUNTY ENTITLEMENTS AREA ( <i>within existing City of Watsonville Sphere of Influence</i> )		
APN	Situs Address	Descriptor
019-236-01	78 Atkinson Lane	MP Berry Farms LC parcel within City
048-221-09	no site address	MidPen parcel outside City within unincorporated County
019-226-42	56 Atkinson Lane	MP Berry Farms LC parcel within City
048-211-25	56 Atkinson Lane	MP Berry Farms LC parcel within County

In 2014, the County prepared an Addendum to the EIR to reflect the terms of the 2011 Settlement Agreement and to update and allocate the mitigation measures as appropriate to the reduced project area.

Also in 2014, the City and County separately approved a 46-unit affordable housing project at 56 Atkinson Lane, known as Pippin Apartments. 20 units were approved on the City parcel (019-226-42), while 26 units were approved on the County parcel (048-211-25). A Memorandum of Understanding was signed between MidPen (applicant), City of Watsonville, and the County of Santa Cruz, similar to this proposed MOU, to outline how the project would be designed, who would review and inspect the project, and what agency would receive impact fees.

In late 2020, staff from the City of Watsonville, County of Santa Cruz, and MidPen, began discussing development of the second County parcel, known as the Lamb parcel (APN: 048-221-09), and accessory parcel (019-236-01). MidPen has submitted a Design Review application to the County of Santa Cruz, and a Minor Design Review Permit for the use of the City parcel (019-236-01) for emergency vehicle access.

In early 2021, MidPen submitted a Design Review application to the County of Santa Cruz for the construction of 80 affordable rental units on the Lamb Parcel, now known as Pippin 2. The property will be accessed through a driveway off of the terminus of Brewington Avenue. On October 27, 2021, the Santa Cruz County Planning Commission adopted a Resolution recommending that the Board of Supervisors approve the project. The Planning Commission packet, with project plans, is included in Attachment 1. The site plan for the project is provided in Figure 1 below.



**Figure 1. Proposed Site Plan**

### **PROCESS:**

A Memorandum of Understanding (MOU) is a non-legally binding document that serves as a declaration of intent and agreement between two or more parties, what used to quaintly be called a “gentlemen’s agreement”. With the Pippin 2 project, the MOU would serve as a roadmap outlining which development standards the project will be designed to, what agency will be responsible for review and inspection of the project and project plans, and what agency will receive impact fees for the Project. The purpose of the MOU is to set expectations but not be enforceable in a court of law. The reimbursement agreement is a contract and may be enforced in a court of law.

### **Proposal**

The County, City, and Mid-Pen have drafted a Memorandum of Understanding (MOU) to address plan review, inspections, provision of services, and the payment of impact fees for the 80-unit project.

Because this Project is located in two regulatory jurisdictions (the City and the County), a Memorandum of Understanding has been drafted to outline the responsibilities of each party both during construction and after the project has been built.

The following items have been addressed in the MOU:

- **Payment of impact fees to the City and County**

- County will collect:
  - a. childcare impact fees,
  - b. impervious area fees,
  - c. parks fees
- The City will collect:
  - a. Sanitary Sewer/Waste Water Connection Fee
  - b. Water Facilities Service Fee
  - c. Groundwater Impact Fee
  - d. Storm Drainage Fee
  - e. Impervious Area Impact Fee
  - f. Public Facilities Fee
  - g. Fire Facilities Impact Fee
  - h. Underground Utility In-Lieu Fee
  - i. Parks and Recreation Fee

- **Review of building permits**

- The City and County have agreed that the County of Santa Cruz will be responsible for reviewing the building permit application and conducting inspections for the 80-unit project. This will be coordinated with the City Engineering Division to ensure adherence to City standards.

- **Review for compliance with fire requirements**

- The County and City have agreed to review the 80-unit project for compliance with the Fire Code. Inspections shall be provided by the County of Santa Cruz.

- **Public Services**

- The City will provide all police, fire, water, and solid waste services to the project.

**STRATEGIC PLAN:**

The MOU follows Goals 1 (Housing) and 2 (Fiscal Health), in that it supports the development of 80 affordable housing units, but also ensures that the City will receive impact fees to offset the Project's impact on City services, including parks fees.

**FINANCIAL IMPACT:**

The Memorandum of Understanding directs impact most project impact fees to the City, because the project is located adjacent to City limits, will be serviced by City services, and ultimately may be annexed into the City. Approval of the MOU will ensure that impact fees are paid to the City, thereby offsetting the impact that the project will have on City services.

**ALTERNATIVE ACTION:**

City Council could choose to recommend modifications to the Memorandum of Understanding, or choose not to direct the City Manager to sign, however this would mean that the County of Santa Cruz could then receive all impact fees for the project, and the project may not be designed to meet City Public Works standards.

**ATTACHMENTS AND/OR REFERENCES:**

- 1) County of Santa Cruz Planning Commission Staff Report with Attachments